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EIGHT DEFENDANTS CHARGED IN 6 UNRELATED INVESTMENT FRAUD CASES

CHICAGO -- Five purported investment advisors who promised their clients low risk and high returns and then allegedly used the money they were entrusted with to support their own lavish lifestyles are facing federal fraud charges in five unrelated cases. One of the charged investment advisors allegedly cheated family members, his parish priest and retirees; another is an attorney, certified financial planner and certified public accountant. In another case, three defendants were charged with defrauding commodities investors by steering losing trades to victim customers' accounts, while steering profitable trades to accounts they controlled. Collectively, the eight defendants defrauded more than 800 investors of more than \$36 million over periods ranging from a few months to many years through various scams, pitches and swindles designed to fraudulently obtain their clients' money for a variety of purportedly safe, but, in reality, bogus investments, according to the charges announced today by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois.

"The message of these cases is simple: If it sounds too good to be true, it probably is," Mr. Fitzgerald said, in joining together with federal law enforcement agents and securities and commodities regulators to warn investors to beware. The charges were contained in three criminal

informations and three federal grand jury indictments, most filed today, in U.S. District Court in Chicago.

Mr. Fitzgerald announced the charges with Thomas J. Kneir, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; Anita L. Davidson, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago; Mary E. Keefe, Regional Director of the Securities and Exchange Commission; and Rosemary Hollinger, Regional Counsel of the Commodity Futures Trading Commission.

Details of the six cases announced today are described below. In each case, the public is reminded that indictments and informations contain only charges and are not evidence of guilt. The defendants are presumed innocent and are entitled to fair trials at which the government has the burden of proving guilt beyond a reasonable doubt. If convicted, the defendants will be subject to the maximum penalties described with each case, along with mandatory restitution, but note that the Court will determine the sentence to be imposed under the United States Sentencing Guidelines.

United States v. Michael J. Murphy, 03 CR 138

Michael J. Murphy, 44 (dob 8/14/58), of 17332 South Parker, Lockport, (Homer Glen mailing address), was indicted today on 10 counts of mail fraud for allegedly defrauding approximately 190 investors, including his family, parish priest and retirees, of at least \$15 million. Murphy was the president and sole owner of Michael J. Murphy Associates Insurance Planning and Designs, Inc., which he operated adjacent to his home in Lockport, and which purportedly offered and sold investments ranging from conservative, lower return to more risky, high return investments. Between the mid-1980s and February 2003, Murphy allegedly used funds from new investors to pay returns to previous investors, without disclosing the Ponzi scheme nature of the payments. He guaranteed a minimum return – in some instances more than 20 percent – and safety of principal, knowing that he had no means of satisfying the guarantees except by misusing new investors' funds, according to the indictment. It also alleges that he created and distributed phony account statements to investors.

Murphy allegedly used the funds he obtained to support a lavish lifestyle and he purchased, among other things, real estate, jewelry, luxury vehicles, a popcorn business and a health spa. The indictment seeks forfeiture of the following from Murphy: \$15 million; four parcels of real property,

including his home, office and a townhouse in Lockport, and a Tampa, Fla., residence; a Disney Vacation Club time share; assorted jewelry; 10 luxury autos, including two Mercedes Benz, a BMW and a Lincoln Navigator; a pontoon boat; and various electronic equipment. Murphy was arrested on Feb. 6 and remains in federal custody pending further proceedings. If convicted, three counts Murphy against carry a maximum statutory penalty of 20 years in prison, while the remaining counts carry a maximum of five years in prison, and each count carries a \$250,000 maximum fine. As an alternative fine, the Court may impose a fine totaling twice the gross loss to any victim or twice the gross gain to the defendant, whichever is greater. The case is being investigated by the FBI and the government is being represented by Assistant U.S. Attorney Laurie Barsella.

United States v. Richard J. Collins, 02 CR 831

Richard J. Collins, 56 (dob 1/6/47), of 819 Bartlett Rd., Plainfield, was charged in a criminal information filed on March 26 with three counts of mail fraud and one count of wire fraud for allegedly defrauding approximately 400 prospective investors and investors of more than \$10 million. Collins and others owned and controlled the Gateway Association, Inc., based in Naperville, which sold “memberships” and purported to offer and sell investments to its members with a guaranteed, risk-free, high yield return of as much as 1,250 percent. Between November 1997 and March 1999, Collins and others, through Gateway, allegedly offered and sold investment interests in a non-existent international bank debenture trading program. Collins allegedly made material misrepresentations and omissions about the existence of the trading program, the risk and expected return on the investment, the use of the money raised from the investors, and the ability of investors to obtain a full refund at any time. Collins and others raised approximately \$10,984,564 from at least 400 investors and allegedly misused almost all of the funds for their own benefit, including autos, charter airplanes, guns, credit card bills, printing expenses, a country club membership, a piano and landscaping.

According to the charges, Collins and others organized meetings at various locations in the United States and Puerto Rico, where they informed prospective investors that they could become members in the Gateway Association for a fee of \$2,500, which would enable them to receive various benefits, including discounts on shopping, travel, hotels and health care. Gateway Association members also would be eligible to invest additional money in the so-called international bank debenture trading program. Collins allegedly fraudulently promised investors a 1,250 percent rate of return on a 10-month \$100,000 investment, which included a \$759,768 balloon payment at the end of 10 months. Almost no investors have received a refund of their original investment, according to the charges. Collins is scheduled to be arraigned on April 8 before U.S. District Judge Suzanne B. Conlon in Chicago. If convicted, Collins faces a maximum statutory penalty of five years in prison and a \$250,000 fine on each count of mail and wire fraud. As an alternative fine, the Court may impose a fine totaling twice the gross loss to any victim or twice the gross gain to the defendant, whichever is greater. The U.S. Postal Inspection Service is continuing the investigation and the government is being represented by Assistant U.S. Attorney Stephen Kubiowski.

United States v. Jeffrey L. Goldberg

Jeffrey L. Goldberg, 51 (dob 3/22/52) of 11 Knight Hill Ct., Buffalo Grove, was charged with two counts of mail fraud in an information filed today for allegedly defrauding approximately 130 investors in five separate investments out of a total of approximately \$7 million. Goldberg is an attorney, certified financial planner and a certified public accountant in Illinois. Between 1989 and March of 2002, Goldberg allegedly offered investment opportunities to certain individuals and engaged in fraud by making false and fraudulent material misrepresentations and omissions about the nature and status of their investments, and the intended and actual use of their funds.

In one of the alleged schemes, in July 2000 Goldberg falsely and fraudulently represented to investors that he and others were each attempting to raise \$1 million to fund an escrow account required by Canadian law in order to complete the pending merger of a Canadian company and a high-tech United States company. He represented to each of his 43 investors, who invested a total of \$1.7 million in this investment, that the funds were refundable at any time because the funds were to be placed in an escrow account in Canada. He further represented that upon the merger, investor funds held in escrow would ultimately be converted into shares of the merged company. He mailed investors fraudulent "Escrow Certificates," falsely indicating that they had an interest in the non-existent "Stamford Escrow." At the time Goldberg made these representations and mailings, he knew that it was extremely doubtful that the two companies were going to merge and that there was no escrow account. Instead, the charges allege, that Goldberg used the investors' money to fund a land development investment in Long Grove, and to make purported dividend payments to investors in another investment.

In another alleged scheme in 2000, Goldberg falsely and fraudulently represented to an investor that the \$400,000 he was investing would be placed in a mutual fund. Contrary to that representation, Goldberg loaned the \$400,000 to an individual so that individual could use the money as part of a down payment on a \$5 million personal residence in Arizona. The investor allegedly lost his entire \$400,000 investment.

Goldberg will be arraigned at a later date in U.S. District Court. If convicted, he faces a maximum statutory penalty of five years in prison and a \$250,000 fine on each count of mail fraud. As an alternative fine, the Court may impose a fine totaling twice the gross loss to any victim or twice the gross gain to the defendant, whichever is greater. The case is being investigated by the FBI and the SEC and the government is being represented by Assistant U.S. Attorney Scott Levine.

United States v. Lawrence M. Barsi

Lawrence M. Barsi, 48 (dob 8/16/54), of 2729 West Farragut Ave., Chicago, was charged in an information filed today with one count of mail fraud for allegedly defrauding approximately 60 investors of more than \$2.5 million. Barsi managed and marketed the Apollo Appreciation Fund (AAF), a purported investment in bond and currency futures, and the Index and Option Market Fund (IOMF), an investment in options, which purportedly had a fixed annual rate of return of about 10% payable in cash quarterly. In addition to AAF and IOMF, Barsi also marketed individual managed investment accounts, through which he purported to purchase and manage securities for individual clients. Beginning in the late 1980s and continuing through Oct. 31, 2002, Barsi misused investors'

funds in the AAF and IOMF for other purposes, including personal expenditures, other investments, and payments to other investors.

As part of the alleged fraud scheme, Barsi regularly created and mailed statements to investors falsely representing that investments were made on their behalf and falsely representing that they were profitable. In order to lull investors and prospective investors, Barsi paid investors money that he claimed constituted dividend and interest on the investments, when, in fact, the real source of these payments consisted of misappropriated funds from new investors and borrowed funds. Barsi allegedly misused most of the fraudulently obtained funds to pay personal expenses such as credit card balances, his mortgage, home remodeling, and real estate taxes.

Barsi will be arraigned at a later date in U.S. District Court. If convicted of mail fraud, he faces a maximum statutory penalty of 20 years in prison and a \$250,000 fine. As an alternative fine, the Court may impose a fine totaling twice the gross loss to any victim or twice the gross gain to the defendant, whichever is greater. The case is being investigated by the FBI and the government is being represented by Assistant U.S. Attorney Barry Rand Elden.

United States v. Thomas Conwell

Thomas Conwell, 43 (dob 1/15/60), of 456 Sunrise, Lake Bluff, was indicted today on six counts of mail fraud for allegedly defrauding approximately 20 investors of more than \$800,000. Conwell also was charged with five counts of making false statements to four financial institutions and one count of obstructing an investigation by the SEC. Conwell was an employee of Everen Securities, Inc., and later the owner of Lake Forest Financial Group, Ltd., which he began in October 1998. According to the indictment, between April 1998 and March 2001, Conwell engaged in a scheme to defraud his clients by making material misstatements and omissions concerning the use of the funds he received for investments and insurance products and their profitability. He allegedly misappropriated the money he received for his personal benefit and the benefit of his business, including making payments to earlier investors without disclosing the Ponzi scheme nature of the payments. During the same time period, Conwell allegedly lied to four different banks to obtain and attempt to obtain a total of more than \$2.5 million in loans. Between December 1999 and May 2000, Conwell allegedly made false statements under oath to the staff of the SEC about the nature, use and repayment of funds received by Lake Forest Financial.

Conwell will be arraigned at a later date in U.S. District Court. If convicted, he faces a maximum statutory penalty of five years in prison and a \$250,000 fine on each count of mail fraud and the obstruction count, and a maximum penalty of 30 years in prison and a \$1 million fine on each false statement count. As an alternative fine, the Court may impose a fine totaling twice the gross loss to any victim or twice the gross gain to the defendant, whichever is greater. The case is being investigated by the Postal Inspection Service and the SEC and the government is being represented by Assistant U.S. Attorney Edward Kohler and Special Assistant U.S. Attorney Gregory von Schaumburg.

United States v. Geoffrey Thompson, Martin Brown and Ydiyell Howard, 03 CR 321

Three Chicago men who worked for a commodity futures firm doing business at the Chicago Mercantile Exchange were indicted on March 27 on wire fraud charges for allegedly causing victim trading accounts to lose at least \$1.3 million as a result of investment trades that they were not authorized to make. Two of the defendants, **Geoffrey Thompson**, 31 (dob 2/21/72), of 5432-34 South Prairie, Unit 1S, Chicago, and **Ydiyell Howard**, 32 (dob 3/10/71), of 1409 West Sherwin Ave., Apt. 1S, Chicago, were arrested today and pleaded not guilty at their arraignment this morning in U.S. District Court. The third defendant, **Martin Brown**, 34 (dob 8/27/68), of 1307 South Wabash, #706, Chicago, will be arraigned at a later date.

All three worked for F.C. Stone, LLC, the successor to Saul Stone & Company LLC. Thompson was employed by Stone beginning in 1992 and subsequently became a risk manager and executive vice president. As part of his responsibilities, Thompson supervised the Futures Direct Unit at Stone, which serviced clients who were experienced traders maintaining large accounts and who were permitted to place orders for commodity futures transactions directly to the floor of the exchange using execution brokers. Brown was employed as a margins clerk in the Futures Direct Unit from about November 1997 through May 1999, and from November 1999 through November 2000. Howard was employed by Stone beginning in November 1997, and between July 1998 and November 2002, he was employed as a margin clerk in the Futures Direct Unit. Under the terms of their employment with Stone, all three were prohibited from conducting any trading on behalf of Stone customers.

According to the indictment, between November 1999 and November 2000, the defendants engaged in a fraud scheme to obtain money and property from Stone and certain of its customers by engaging in fraudulent commodities trading. Between November 1999 and April 2000, Thompson and Brown allegedly engaged in commodities trading on behalf of certain Stone customer accounts, namely customer accounts belonging to Individual A and Individual B, in violation of the terms of their employment with Stone. Specifically, Brown entered into oral agreements with Individual A and Individual B in which Brown agreed to make commodity futures transactions on their behalf in exchange for 25 percent of the net profits from the trading activity. When the trades were profitable, the profits were periodically transferred by wire from Stone's bank account to bank accounts benefitting Individual A and Individual B. They, in turn, mailed commission checks representing 25 percent of the net profits to Brown. Both Thompson and Howard were aware that Brown received commission checks from Individual A and Individual B, and Brown shared the proceeds of the commission checks with them, the charges allege.

Between February and July 2000, the defendants allegedly directed and assisted others, specifically friends and relatives, to open Futures Direct customer accounts at Stone. These accounts were opened in the names of Individual C, Corporation One, Individual D, Individual E, Individual F, and Individual G. The defendants placed and caused to be placed commodity futures transactions for the benefit of these accounts. If a trade was profitable, defendants would cause the trade to be allocated to one or more of the accounts belonging to friends and relatives, and the defendants shared the proceeds of the profitable trades. When the trades were unprofitable, the defendants would cause the trade to be transferred to one of several large accounts belonging to unrelated Stone customers, and the defendants did not have authorization to place the unprofitable trades in the victim accounts. As a result of the alleged scheme, the defendants caused the victim

accounts to suffer losses of at least \$1.3 million, while the favored accounts amassed at least \$3.3 million in profits.

Thompson was charged with 10 counts of wire fraud and one count of money laundering; Brown was charged with nine counts of wire fraud, and Howard was charged with two counts of wire fraud. The indictment also seeks forfeiture of \$322,500 from all three, as well as Thompson's residence. If convicted, each defendant faces a maximum statutory penalty of five years in prison and a \$250,000 fine on each count of wire fraud, and Thompson, alone, faces a maximum penalty of 10 years in prison and a \$250,000 fine if convicted of money laundering. As an alternative fine, the Court may impose a fine totaling twice the gross loss to any victim or twice the gross gain to the defendant, whichever is greater. The case is being investigated by the FBI and the CFTC, and government is being represented by Assistant U.S. Attorney Aylice Toohey.

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